



huuayaht

ANCIENT SPIRIT, MODERN MIND

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**REPORT TO THE PEOPLE'S ASSEMBLY**

***Proposed Western Forest Products Inc.  
Transaction***

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**FOR CONSIDERATION AT THE  
SPECIAL PEOPLE'S ASSEMBLY**

July 25, 2020

Prepared by: Robert H. Botterell & Nathan Hume, on behalf of the Executive Director

Date: June 29, 2020

## INTRODUCTION

The People's Assembly will be asked to consider the following motion:

*The People's Assembly hereby confirms its support for the proposed transaction involving Western Forest Products Inc.*

## BACKGROUND AND DISCUSSION

**Important Note** - Western Forest Products Inc. (Western) is a publicly traded company and sharing of confidential financial, business and negotiating information could put both Huu-ay-aht First Nations (Huu-ay-aht) and Western at legal, financial and competitive risk. For this reason, additional confidential information, including more detail on costs and benefits and trade-offs will be provided separately to Citizens who have signed Non-Disclosure Agreements (NDAs) prior to and during the People's Assembly. Every effort will be made to answer all questions.

On March 16th, 2020, Huu-ay-aht and Western announced that an agreement had been reached under which Huu-ay-aht, through Huumiis Ventures Limited Partnership (a limited partnership owned by Huu-ay-aht), will purchase a further 44% of TFL44 Limited Partnership (TFL44 LP) from Western for \$35.2 million, bringing Huumiis's total interest to 51%. TFL44 Limited Partnership owns and operates Tree Farm Licence 44. Huumiis will own a majority of TFL44 LP, and will appoint a majority of the board of directors of its general partner. The Huumiis-appointed members of that TFL 44 board will be Derek Peters, Jeff Cook, Stan Coleman, and Rob Botterell.

Huumiis will also purchase a small, yet significant, 7% interest in the Alberni Pacific Division (APD) sawmill for \$1 million. Robert Dennis will be one of the 3 members of the Board of the new Alberni Pacific Limited Partnership.

A copy of the public announcement is attached. As noted above, because Western is a publicly traded company, a lot of information about the transaction is confidential. More information will be provided separately to Citizens under NDA. Also, because Western is a publicly traded company, the deal had to be announced publicly once it was reached, and so the announcement could not be delayed until after the People's Assembly vote.

Under this agreement, the 13 other area First Nations that have a part of TFL 44 in their traditional territories will be able to decide whether to invest alongside Huumiis in TFL44 LP. Whether they invest or not, they will have the opportunity to participate in an advisory group to TFL44 LP and share in job and business opportunities.

Over the next 5 years, and in some cases much sooner, this transaction is expected to directly or indirectly:

1. Return effective control to Huu-ay-aht over an additional 60% of the ḥahuuḷi,
2. Provide the training and employment tools needed to create an additional 50+ full time, well-paid forestry sector jobs, as well as contracting opportunities,
3. As project financing costs are repaid, generate millions of dollars per year in revenues to fund Huu-ay-aht citizen priorities,
4. Ensure that forestry operations on TFL 44 meet or beat provincial and Huu-ay-aht forestry standards and reflect Ḥawiiḥ values.

The closing of this transaction is subject to satisfaction of certain conditions including:

- approval by the Huu-ay-aht People's Assembly,
- approval by the British Columbia Provincial Government;
- other third-party consents related to fibre-supply agreements, and
- third-party financing for part of the \$36.2 million.

## **OPTIONS & IMPLICATIONS**

Executive Council is seeking the support of the People's Assembly to proceed with this transaction involving Western Forest Products Inc.

The People's Assembly may approve or not approve the proposed motion.

This transaction will not proceed without People's Assembly approval. If the transaction does not proceed, then Huumiis will not incur the costs, nor realize the benefits from the transaction.

Additional confidential information on the costs and benefits and trade-offs related to this transaction will be provided prior to and during the People's Assembly to Citizens under NDA.

## **RECOMMENDATION**

Earlier this year, Executive Council and Hāwiih Council decided to support the transaction in principle subject to further work, for example, on bank financing.

That additional work is nearing completion, following which Executive Council and Hāwiih Council will consider their final recommendation in relation to the motion.



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# WRITTEN MOTION of the PEOPLE'S ASSEMBLY

(Government Act, s. 86)

For ease of reference, this motion may be referred to as:

## Motion Regarding Proposed Transaction Involving Western Forest Products Inc.

### Whereas:

- a) Huumiis Ventures Limited Partnership ("Huumiis") is a Huu-ay-aht special investment body that is wholly-owned by Huu-ay-aht First Nations;
- b) In 2019, after receiving the support of the People's Assembly, Huumiis purchased 7% of TFL44 Limited Partnership ("TFL44 LP");
- c) TFL44 LP owns and operates Tree Farm Licence 44, which overlaps with and affects much of the Huu-ay-aht hahuuli;
- d) Western Forest Products Inc. owns the remaining 93% of TFL44 LP;
- e) In March 2020, after months of negotiations and after receiving support in principle from Executive Council and the H̱awiiḥ Council, Huumiis agreed to purchase from Western Forest Products Inc.:
  - i. an additional 44% interest in TFL44 LP and its general partner for \$35.2 million; and
  - ii. an initial 7% interest in a newly formed limited partnership and its general partner, which will own the Alberni Pacific Division Sawmill and related assets, for \$1 million (the "proposed transaction");
- f) Upon closing of the proposed transaction, Huumiis will own 51% of TFL44 LP and will appoint a majority of the board of directors of TFL 44 General Partner Inc., its general partner;
- g) Closing of the proposed transaction is subject to a number of conditions, including support of the People's Assembly and approval by the government of British Columbia; and
- h) Huu-ay-aht citizens have received information about the costs, risks, and benefits of the proposed transaction, including confidential information subject to non-disclosure agreement, during the negotiations, in advance of this People's Assembly, and during this People's Assembly.

**Be it resolved that the People's Assembly hereby:** confirms its support for the proposed transaction involving Western Forest Products Inc.

### Appendices attached to Motion:

Written report prepared by Rob Botterell and Nathan Hume, Legal Counsel.

Introduced by: \_\_\_\_\_

Date: July 25, 2020  
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DATE OF PEOPLE'S ASSEMBLY